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SIPDIS

SENSITIVE

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SUBJECT: ECUADOR: DEMOCRATIC ACTION PLANNING

1. (SBU) Summary: With democratic stability set back by repeated irregular changes of government, the mission has begun a process to take stock of our democracy-support efforts and chart new directions. That action planning process will culminate, we hope, in a clear analysis of the challenge ahead. That analysis will, in turn, become the basis for a range of policy and program options to support democratic strengthening. Ecuadorian society, meanwhile, is launching its own debate about possible democratic reforms, which will affect the realm of possibility. We face our own policy constraints in Nethercutt and impending TIP sanctions, but aim to maximize the impact of limited resources in support of democracy here. End Summary.

Democracy is Broken Here

2. (SBU) None of the last three democratically elected presidents of Ecuador has successfully served out his term. During the same nine-year period, seven presidents, not counting a triumvirate that lasted only three hours, have ruled Ecuador. The most recent president to be deposed was Lucio Gutierrez on April 20. Gutierrez had himself participated in a 2000 coup that brought down his predecessor, Jamil Mahuad. The first democratically elected president in this recent cycle of instability was Abdala Bucaram, who lasted seven months in office. Ironically, by letting Bucaram return from exile in Panama in March, Gutierrez fueled popular protests that sealed his own fate. Bucaram is now back in Panama. Mahuad lives in the United States. Gutierrez is now living in Brazil.

Diagnosis and Prescriptions

3. (SBU) The fall of Gutierrez involved complex constitutional questions, but the problem of instability in Ecuador stems from a different popular conception of what democracy means. Most Ecuadorians believe it means the support of the people. When a significant segment of the people are dissatisfied enough to mobilize, they demand change from the streets rather than wait patiently for a chance to decide at the ballot box. Political elites are complicit in this process, seeking to use popular discontent as a weapon to advance their own interests. While the causes of popular discontent and the composition of the popular forces which provoked the fall of the last three elected presidents have varied, the result has been the same: an irregular change of government caused by popular protests in the capital.

4. (SBU) Most Ecuadorians took the recent irregular fall of the government in stride and were initially diverted by the process of selecting a new government and cabinet. With that over, the national debate is shifting toward the need for political reforms. While no consensus has emerged, several possible elements are clear.

-- Executive: the GOE, beholden to street protesters for its creation, wishes to be responsive to citizen calls for reform. President Palacio has offered a vaguely defined public dialogue process, to be managed by the Vice President. The dialogue process is intended to generate ideas for possible inclusion in a popular referendum. Palacio met with UNDP and other international representatives on May 19 to publicly request support and technical assistance to facilitate the process.

-- Congress: Congress has completed its Supreme Court reform, which now moves toward implementation. Congress will also debate possible electoral reforms (to regulate proportional representation, permit representation by districts) and constitutional changes (the creation of a Senate, to balance national and local interests). Some have also floated the idea of a semi-parliamentary system through the institution of a prime minister, accountable to Congress. Congress is already the venue for debate over a reform to expedite the referendum process, which currently includes a year-long cooling off period before constitutional reforms can be voted on.

-- Judicial: With the Supreme Court on the (probably rocky) road toward recovery, several other judicial issues linger. The Supreme Electoral Tribunal has been re-conformed to reflect the new balance in Congress. Some, however, are calling for constitutional reform to make the tribunal independent of political parties, rather than controlled by them. The Constitutional Court, meanwhile, remains to be reconstituted by Congress. The selection of an Attorney General is also pending, awaiting the reconstitution of the National Judicial Council by the eventual Supreme Court.

-- International Organizations/Donors: On May 16 President Palacio and VP Serrano met with international organizations including UNDP, UNICEF, the Andean Community of Nations to request financial and technical support for the government's social dialogue (the OAS representative was invited but did not attend). UN representative Mauricio Valdes later told the Ambassador that the UN had concerns about becoming involved in an ill-defined dialogue process, after unsuccessful experiences elsewhere. Former Spanish Prime Minister Felipe Gonzalez visited Ecuador May 16-18 on behalf of the Madrid Club. He privately urged Palacio to lead the dialogue process himself, and to be pragmatic in focusing his plan of government.

-- Civil Society/Protest Movement: Has been invited to help organize and participate in national dialogue with the GOE. Some are demanding guarantees from Palacio that he will submit any FTA with the U.S. to a referendum before signing, and will include the issue of whether to hold a constituent assembly (dissolving Congress) on the referendum. Follow-up protests against the GOE have fallen flat, perhaps reducing their influence. Civil society groups have announced a 100-day deadline for the government to develop its referendum proposal, with civil society input.

#### USG Interests

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15. (SBU) The question of whether our efforts prolonged the tenure of the last government is moot; our efforts to promote democracy, as we know it, have again failed to bring an elected government to term here. Political instability has high costs and elevates risk, economic and otherwise. Irregular changes of government are inherently unpredictable, put ongoing USG interests at risk, and force us to start over with a new government. While we are doing so with the Palacio government, the Ambassador also launched an internal process to evaluate the problem of democratic instability, and seek to devise options to address it.

#### Action Plan

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16. (SBU) AID has led the mission's democracy action planning process, inviting full participation from other country team elements. One focus is necessarily short-term, since the democracy debate is in full swing here, but a parallel process is focusing on longer-term structural issues. We have also launched dialogues with international financial institutions and donor representatives, who have agreed to develop a common framework to support democracy and judicial strengthening, in a coordinated dialogue with the government. The mission's review process will culminate at a Country Team retreat which will define a concise problem statement concerning democratic instability, and chart a range of short-term actions to address longer-term problems, for consideration by incoming mission leadership (and ultimately Washington agencies).

17. (SBU) The outcome of this process will be affected by a host of factors and constraints, among them (on our side) existing Nethercutt and impending TIP sanctions, which will force us to withdraw direct support for the GOE and channel assistance through civil society, and vote against Ecuador in the International Financial Institutions. While these constraints have their own merits, they will complicate the task of supporting democratic progress here.

18. (SBU) Ultimately, the Ecuadorian people will determine the health and fate of democracy in Ecuador. We share with them an interest in democratic strengthening, and seek to use our limited resources to maximum effect.

Chacon